



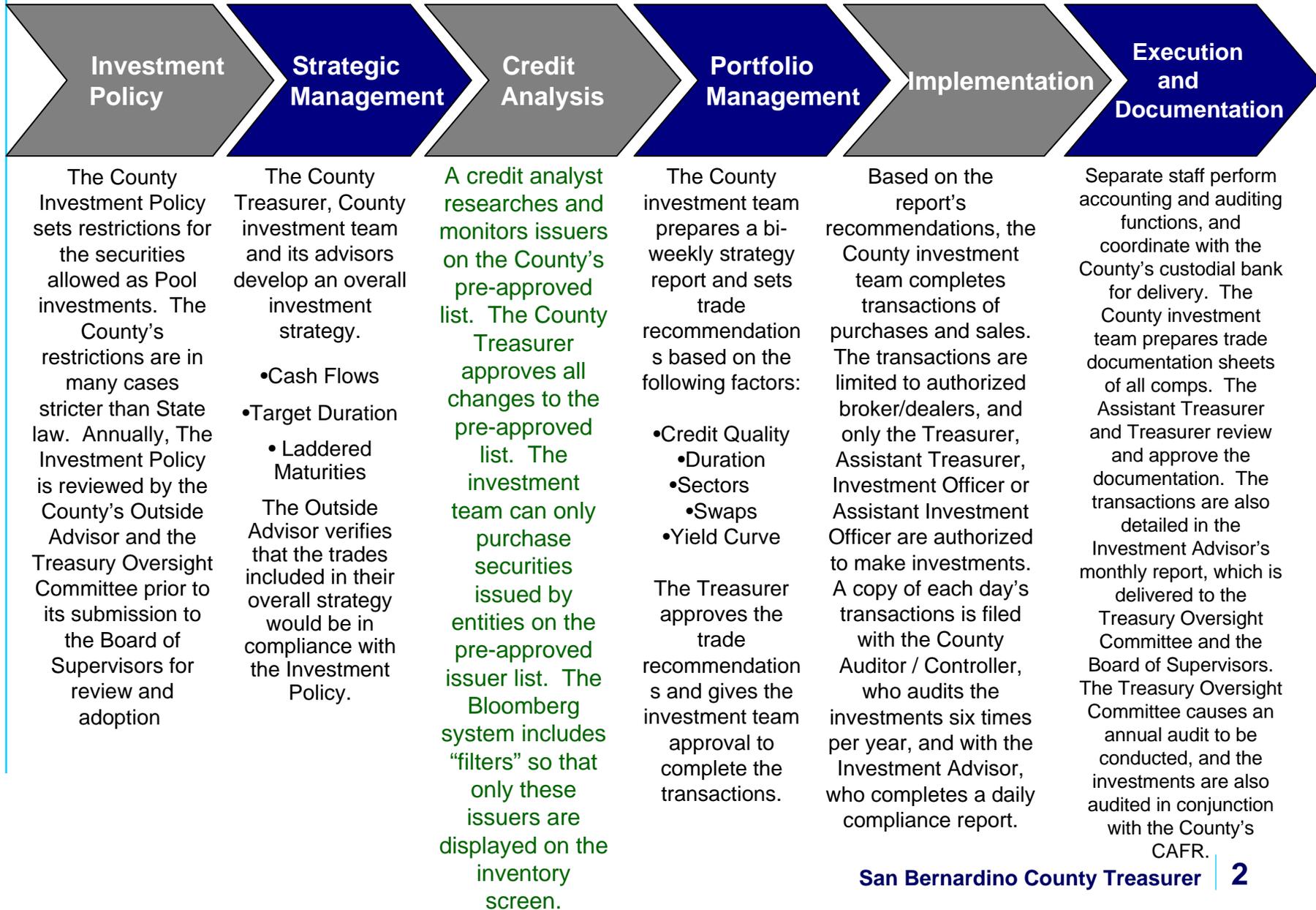
Credit Analysis



Annette Kerber, Assistant Treasurer/ Tax Collector
John Johnson, Investment Officer

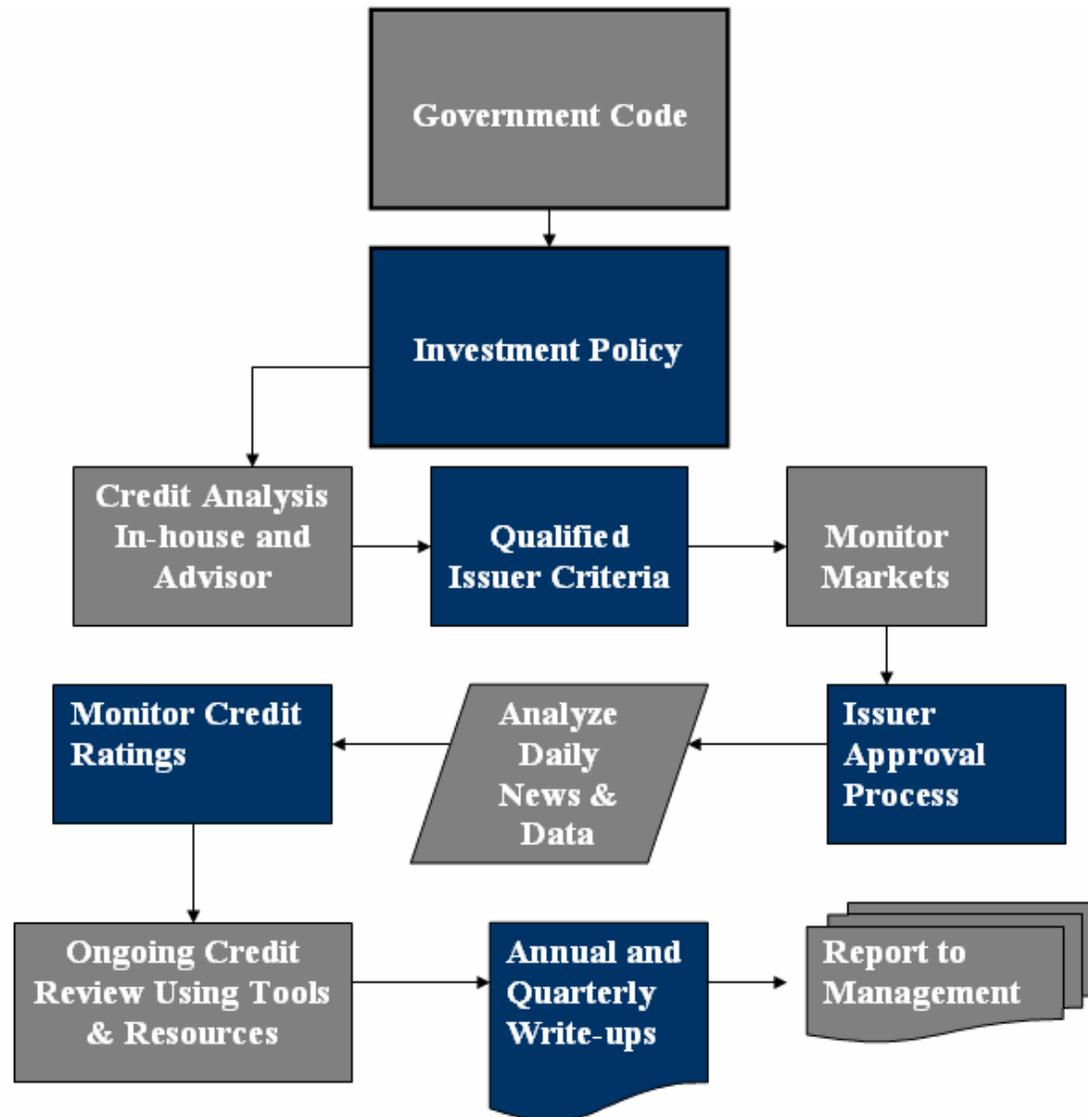


Investment Process





Credit Analysis Process



San Bernardino County – Approved Issuer List

TICKER	ISSUER	PARENT CO.	#	CR* S/T RATINGS			L/T RATINGS			OUTLOOK			LIMIT
				S&P	MDY	FI	S&P	MDY	FI	S&P	MDY	FI	
BAC	BANK OF AMERICA CORP		7	A-1+ *- P-1		F1+	AA- *- Aa2 *- A+					STABLE	
BACNA	BANK OF AMERICA NA		4	A-1+ *- P-1		F1+	AA *- Aaa AA-					STABLE	
BMOCHI	BANK OF MONTREAL CHICAGO		6	A-1	P-1	F1+	A+ Aa1 AA-		STABLE	STABLE	STABLE		DNB
BSCTUS	BANK OF SCOTLAND PLC/NY	HBOS PLC	5	A-1+ *+P-1		F1+ *-	AA- *+ Aa1 *- AA *-						
BCSNY	BARCLAYS BANK PLC NY		4	A-1+	P-1	F1+	AA *- Aa1 *- AA					NEG	
BCSFUN	BARCLAYS US FUNDING LLC		6	A-1+	P-1	F1+	AA- *- Aa2 *- AA					NEG	
PARFIN	BNP PARIBAS FINANCE INC		4	A-1+	P-1	F1+	AA+ Aa1 AA		NEG	STABLE	STABLE		
BNPPNY	BNP PARIBAS NY BRANCH		4	A-1+	P-1	F1+	AA+ Aa1 AA		NEG	STABLE	STABLE		
BNPPSF	BNP PARIBAS SF BRANCH		4	A-1+	P-1	F1+	AA+ Aa1 AA		NEG	STABLE	STABLE		
BPAME	BP AMERICA INC		4	A-1+	P-1	F1+	AA Aa1 AA+		STABLE	STABLE	STABLE		
CALYON	CALYON NORTH AMERICA INC	SAS Rue La Boetie	6	A-1+	P-1	F1+	AA- Aa1 *- AA-		STABLE	STABLE	STABLE		
CALYNY	CALYON NY	SAS Rue La Boetie	7	A-1+	P-1	F1+	AA- Aa1 *- AA-		STABLE		STABLE		
CIBCNY	CANADIAN IMP BK COMM NY		7	A-1	P-1	F1+ *-	A+ Aa2 AA- *-		NEG	NEG			DNB
CANHLD	CANADIAN IMPERIAL HLDING		7	A-1	P-1	F1+ *-	A+ Aa2 AA- *-		NEG	NEG			DNB
CBAFIN	CBA (DELAWARE) FINANCE	Commonwealth Bank of Australia	4	A-1+	P-1	F1+	AA Aa1 AA		STABLE	STABLE	STABLE		
CMBDE	CHASE BANK USA NA	JPMorgan Chase & Co	4	A-1+	P-1	F1+	AA Aaa AA-		NEG	NEG	STABLE		
CVXCP	CHEVRON CORPORATION		4	A-1+	P-1	F1+	AA Aa1 AA		STABLE	STABLE	STABLE		
CITINA	CITIBANK NA		4	A-1+ *- P-1		F1+ *-	AA *- Aa1 *- AA *-						95D
CITIFI	CITIGROUP FUNDING INC		7	A-1+ *- P-1		F1+ *-	AA- *- Aa3 *- AA- *-						No CP
C	CITIGROUP INC		7	A-1+ *- P-1		F1+ *-	AA- *- Aa3 *- AA- *-						No CP
DEXNY	DEXIA BANK NY BRANCH		8	A-1 * P-1 *-		F1+	A+ * Aa3 *- AA-					STABLE	Hold
DEXDEL	DEXIA DELAWARE LLC		8	A-1 * P-1 *-		F1+	A+ * Aa3 *- AA-					STABLE	Hold
XON	EXXON MOBIL CORP		1	A-1+	P-1	F1+	AAA Aaa AAA		STABLE	STABLE	STABLE		
FNDN	FANNIE MAE		1	A-1+	P-1	F1+	AAA Aaa AAA			STABLE	STABLE		
FCDN	FEDERAL FARM CREDIT BANK		1	A-1+	P-1	NR	AAA Aaa AAA			STABLE	STABLE		
FHDN	FEDERAL HOME LOAN BANK		1	A-1+	P-1	NR	AAA Aaa NR			STABLE			
GOIXX	FEDER-GVT OBL-I		1				AAAm Aaa AAA						
POIXX	FEDER-O-PR OB-I		1				AAAm Aaa AAA						
FMCDN	FREDDIE MAC		1	A-1+	P-1	F1+	AAA Aaa AAA			STABLE	STABLE		

DETAILED INFORMATION:

Ticker: WB/WBCORP

Report: FY1 2007

Fiscal year end reporting period: December

Current ratings	Short Term	Since	Long Term	Since	Outlook
S&P	A-1+	2/14/2007	AA-	2/14/2007	Stable
Moody's	P-1	5/10/1993	Aa3	11/20/2002	Stable
Fitch	F1+	3/21/2005	AA-	3/21/2005	Stable

Egan-Jones rates WB Corp. at A (downgrade from A+) as of 3/12/08

Business Description

Formed in 2001 by a bank merger with First Union, North Carolina-based Wachovia is a financial and bank holding company, providing financial services to retail and corporate customers. Wachovia is the fourth largest U.S. bank with over 120,000 employees, 3,400 branches and almost 4,900 brokerage offices operating under, "Wachovia Securities". The company also offers asset and wealth management, capital markets, insurance and brokerage services in the U.S. and internationally. Wachovia's pact with Prudential Securities created one of the largest national full service retail brokerage operations. Wachovia expanded in 2004 by purchasing U.S. bank, SouthTrust for about \$14B. In 2006, Wachovia made its largest purchase by acquiring CA-based, Golden West Financial for \$24B. Wachovia held \$783B of assets as of December 31, 2007.

Competitiveness, Economic and Current Environment

Wachovia has remained competitive by its well established presence in the east coast and expansion through its SouthTrust Bank Corp. acquisition and joint venture with Prudential Securities, enhancing its banking franchise and retail brokerage services. Wachovia's deposits represented 68% of its funding at year-end 2007 due in part to the bank's purchase of Golden West. Loan growth has resulted from the recent integration of SouthTrust and Golden West. Acquisitions have led to Wachovia increasing its deposit and mortgage market share in the U.S. as well as expanding its auto loan portfolio from its purchase of Westcorp and WFS Financial.

Wachovia reported profit of \$6.3B during 2007, a decrease of 19% due to a downturn in credit market conditions resulting in trading losses and a resultant drop in net trading revenue within its investment bank activities. Wachovia's broker client assets grew from \$760B to \$1.2T due to an increased client base from its A.G. Edward purchase leading to Wachovia expanding its full service retail brokerage. During 2007, interest rates rose on the short end which led to a period of an inverted yield curve. Wachovia's net interest margin was impacted by the yield curve shift. Wachovia's provisions and non-performing asset rose significantly from higher credit risk from its loan growth.

For the Year Ended December 31, 2007,

Financial Analysis

FY1 2007 FY1 2006 FY1 2005 FY1 2004 FY1 2003

Income Statement

Net revenue (in millions)	\$31,427	\$29,794	\$25,900	\$22,740	\$20,001
Percent change	5.5%	15.0%	13.9%	13.7%	
Operating income	\$9,609	\$12,063	\$10,096	\$8,261	\$6,666
Percent change	-20.3%	19.5%	22.2%	23.9%	
Net income	\$6,312	\$7,791	\$6,643	\$5,214	\$4,264
Percent change	-19.0%	17.3%	27.4%	22.3%	

Profitability

Pretax Margin	16.83	25.39	27.30	27.85	25.43
Percent change	-33.7%	-7.0%	-2.0%	9.5%	
Return on Assets	0.85	1.27	1.31	1.17	1.15
Percent change	-33.2%	-3.1%	12.4%	1.7%	
Return on Common Equity	8.75	13.29	14.00	13.08	13.21
Percent change	-34.1%	-5.1%	7.1%	-1.0%	
Return on Capital	2.46	3.74	4.08	3.33	3.33
Percent change	-34.3%	-8.3%	22.4%	0.1%	
Net Interest Margin	2.90	2.99	3.29	3.37	3.72
Percent change	-3.2%	-9.0%	-2.3%	-9.6%	
Provisions for loan losses	2,261	434	249	257	586
Percent change	421.0%	74.3%	-3.1%	-56.1%	
Non-performing assets	5,446	1,382	752	1,100	1,146
Percent change	294.1%	83.8%	-31.6%	-4.0%	
Efficiency Ratio	61.20	60.12	61.28	62.64	62.91
Percent change	1.80%	-1.89%	-2.17%	-0.43%	

Liquidity

Tier 1 Capital	7.35	7.42	7.50	8.01	8.52
Percent change	-0.94%	-1.07%	-6.37%	-5.99%	
Total Risk Based Capital	11.82	11.33	10.82	11.11	11.81
Percent change	4.32%	4.71%	-2.61%	-5.93%	

Bloomberg data sourced

Constant Review of Company News

TK	Recent News (12/31/07)	Recent News (11/30/07)	Recent News (10/31/07)	Recent News (9/30/07)
FTUNB/WB	<p>Q3 net income decreased 10% to \$1.69B from \$1.88B Q306 on \$1.3B of writedowns for bad loans and mortgage backed securities. Says it will allocate up to \$1B for Q4 writedowns from a previously estimated \$500MM to \$600MM.</p>	<p>Q3 net income decreased 10% to \$1.69B from \$1.88B Q306 on \$1.3B of writedowns for bad loans and mortgage backed securities. Says mortgage related losses total \$1.1B through Oct. 31 and raised loan loss provision estimate to \$600MM for Q4. Fitch ratings states WB's ratings are "unaffected" by announced writedowns. Says 76% of its Q3 earnings were generated by the retail bank with 14% generated by the corporate and investment bank. Organized 52 CDO transactions in 2006 totaling \$25.4B, providing 2% of WB's 2006 earnings. WB held \$676MM of AB CDOs as of October 31 and \$2.1B in RMBS exposures. Issues \$300MM of 60 year trust preferred securities. Issues \$2.5B of 30 yr subordinated bank bonds.</p>	<p>Q3 net income decreased 10% to \$1.69B from \$1.88B Q306 on \$1.3B of writedowns for bad loans and mortgage backed securities. Completes AG Edwards acquisition. Cutting investment bank staff by 200. Reorganizing its general bank supervisory structure by cutting executives that oversee state regional operations.</p>	<p>Q2 net income increased 24% to \$2.34B from \$1.88B Q206 as Golden West merger costs climbed more than expected. Says it has committed \$9-16B to finance LBO loans. Hedge funds, including units of BlackRock and Harbinger Capital Partners sue WB claiming the bank was aware of fraud at Le Nature Inc. when WB underwrote \$165MM in debt. WB's Evergreen mutual fund unit agrees to pay \$32.5MM to settle SEC market timing case. Plans to move securities division headquarters to St. Louis from Richmond as part of the AG Edwards merger agreement, cutting an estimated 2k jobs.</p>

WACHOVIA CORP

Rating Analysis - 4/14/08

Egan-Jones Ratings Co.

EJR Sen Rating(Curr/Prj) A-/A-

Debt: \$233.5B, Cash: \$28.6B

Est. Share Value: \$20.31 Price: \$24.95

Wachovia Corp's (the Bank or WB) interest inc. was \$10.18 billion for the quarter ending March 2008 compared to \$10.15 billion for the prior year. The Net Loss realized for the March '08 quarter was \$350.0 million, a decline over the prior year's \$2.30 billion income. The Bank has seen some slippage in its credit position recently.

Fallout - the Bank's net interest income after provisions for the March quarter declined from \$4.3B last year to merely \$1.9B this year because the provision for loan losses rose from \$177M to \$2.8B. (Most of the provisions were to rebuild the Allowance Account.) The \$121B pick-a-pay (option ARM) portfolio of World Savings Bank is a concern because of the high loan to value. The Oct 2006 \$26B purchase of GDW and the March 2006 share-for-share \$3.4B purchase of Westcorp were slight negatives. Watch M&A events. We are assigning a rating of "A-" based on our concern about asset quality; we would not be surprised by additional charges.

CREDIT POSITION	*Annual Ratios		Ratios for 4 Rolling Quarters				
	Dec-07	PDec09*	Mar07	Jun07	Sep07	Dec07	Mar08
Fixed Chg Cov(x)	1.4	1.1	1.6	1.6	1.5	1.4	1.2
Return on Equity (%)	7.9	1.7	11.5	12.2	11.7	7.9	4.5
PT Ret. on Avg Assets(%)	1.3	0.1	1.9	2.1	1.8	1.3	0.7
Ret on Perm Cap (%)	3.3	0.9	2.9	3.0	2.7	1.7	0.8
T Debt/Cap(w Debt)(%)	71.7	73.3	73.2	73.8	75.1	72.5	74.2
Short Term Debt/ Total Debt (%)	42.8	42.8	28.4	30.5	28.3	42.8	24.8
Implied Sen. Rating	A	BBB-	A	A	A	A	A-
INDUSTRY RATIOS		<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>BB</u>	<u>B</u>	<u>CCC</u>
Fixed Chg Cov(x)		2.3	1.8	1.3	0.9	0.7	0.5
Return on Equity (%)		4.5	4.0	3.5	3.0	2.5	2.0
PT Ret. on Avg Assets(%)		6.0	4.0	2.0	0.0	-2.0	-4.0
Ret on Perm Cap (%)		20.0	10.0	7.0	4.0	2.0	-2.0
T Debt/Cap(w Debt)(%)		85.0	90.0	95.0	97.0	72.0	100.0
Short Term Debt/ Total Debt (%)		47.5	62.2	75.3	84.9	90.7	94.2
PEER RATIOS					Return		
	S&P	Fixed		Return	on	Ratio-	
	Sen.	Charge		on Avg	Perm	T Debt/	Implied
		<u>Cov(x)</u>	<u>ROE(%)</u>	<u>Assets</u>	<u>Cap(%)</u>	<u>Cap(%)</u>	<u>Rating*</u>
Bank of America Corp	AA	1.4	10.2	1.3	2.7	82.4	A-
Wells Fargo & Co	AA+	1.8	16.9	2.2	6.7	76.2	A+
US Bancorp	AA	2.0	20.5	2.7	6.8	78.3	A+
Golden West Financial Corp	AA-	1.7	17.1	2.1	4.2	86.3	A+
Keycorp	A-	1.4	11.9	1.3	4.3	74.3	A

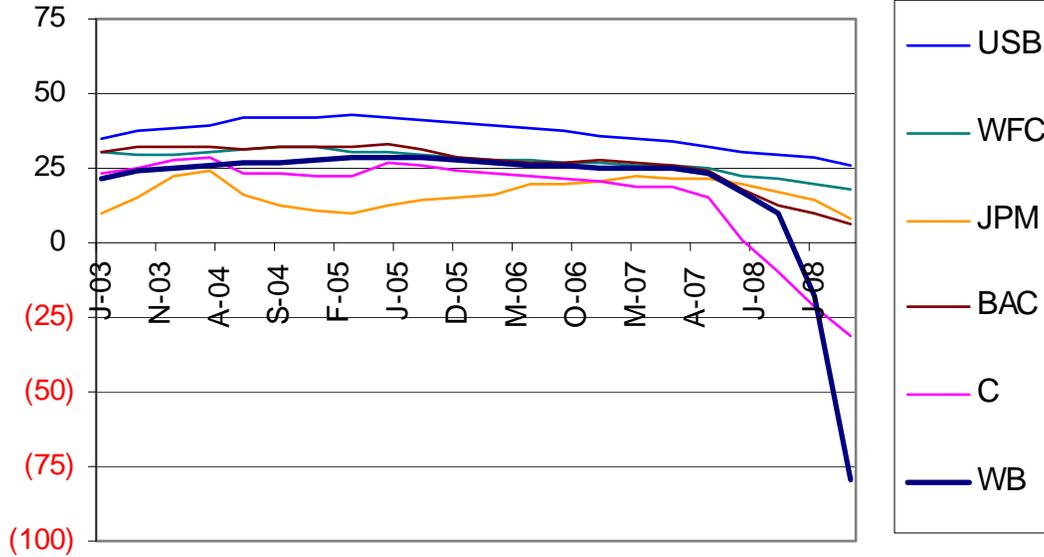
Egan-Jones Short Term Rating: A1

Rating Chg Antic. (1 is best, 100 worst):82.7 Last EJR Sen.: A S&P Sen.: AA-

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Independent Fundamental Analysis

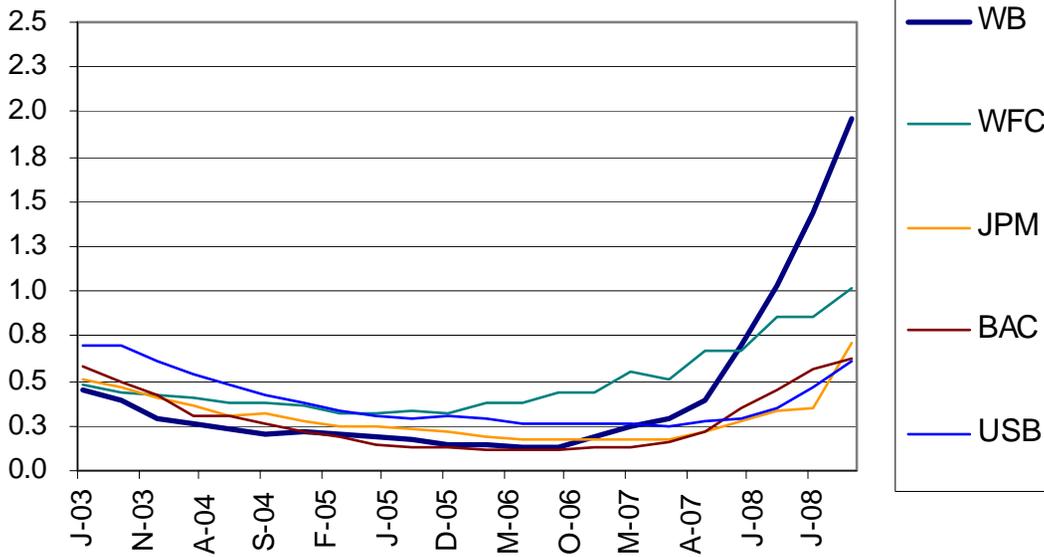
Pretax Margin



Profitability measures pressured from declining fee income and higher provisions from loan and security impairments.

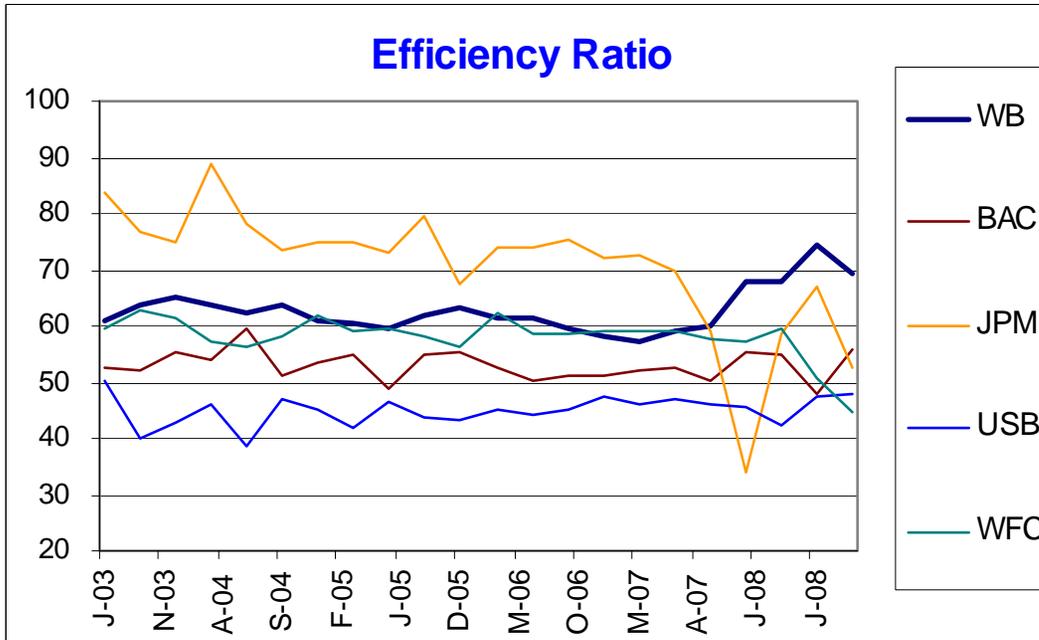
Profit also impacted by terms of merger with Wells Fargo leading to larger goodwill impairment affecting non-operating portion of earnings in Q308.

Nonperf Loans/Total Assets



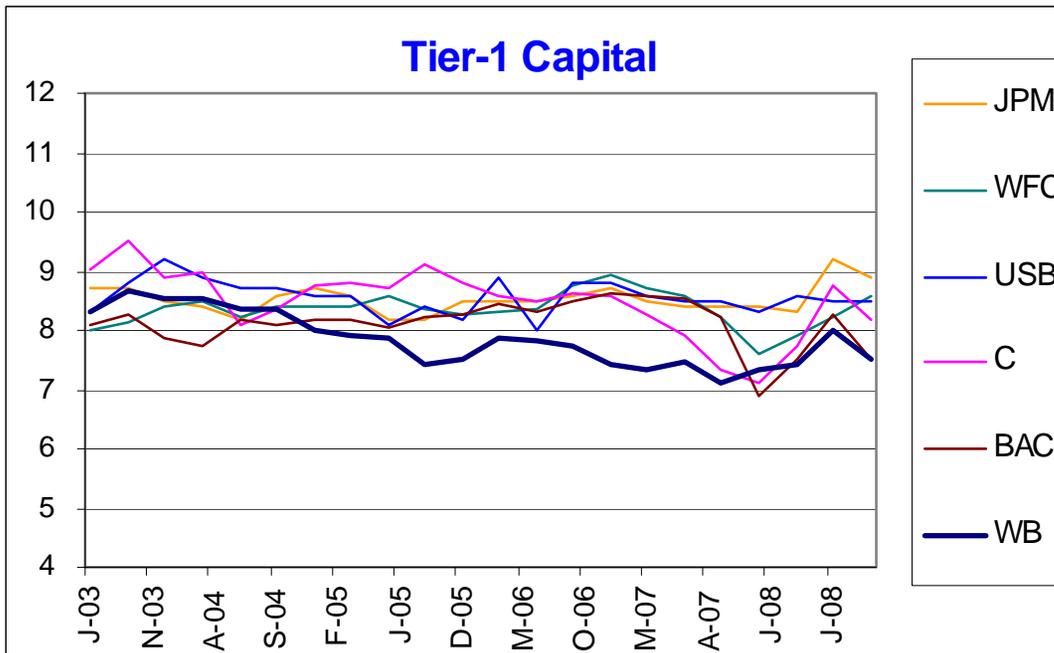
Asset quality quickly eroded due to large charge-offs related to its mortgage loans and securities impairments from credit market disruption.

Independent Fundamental Analysis



Cost efficiencies edged lower due to costs from the investment and capital market unit offsetting any efficiencies within retail banking operations.

Higher value equals lower efficiency.

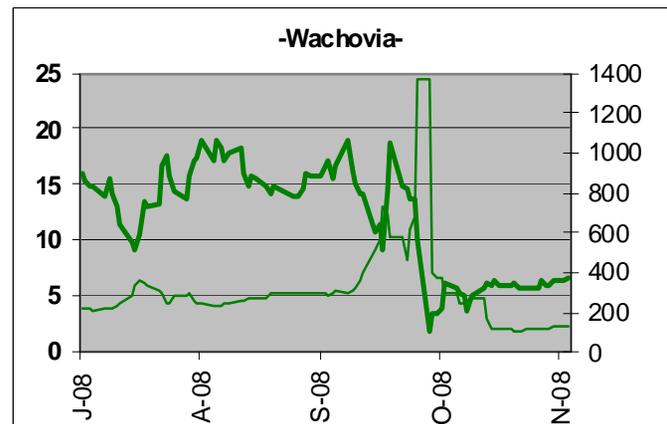
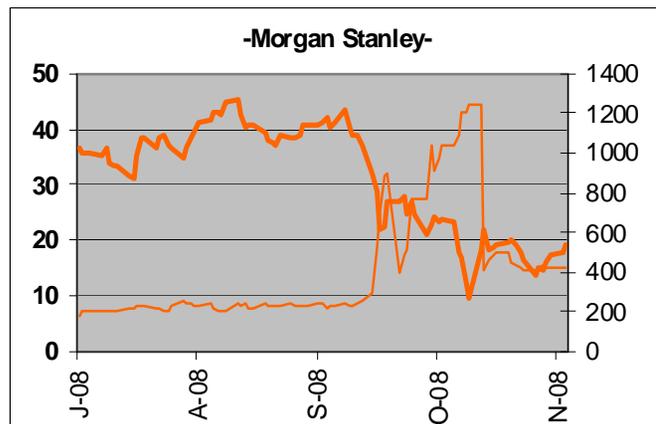
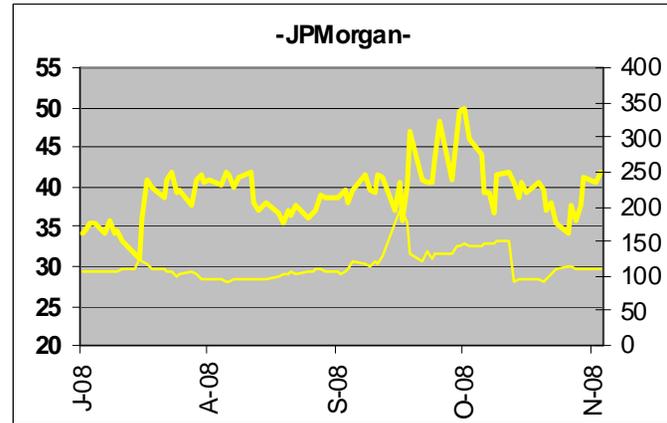
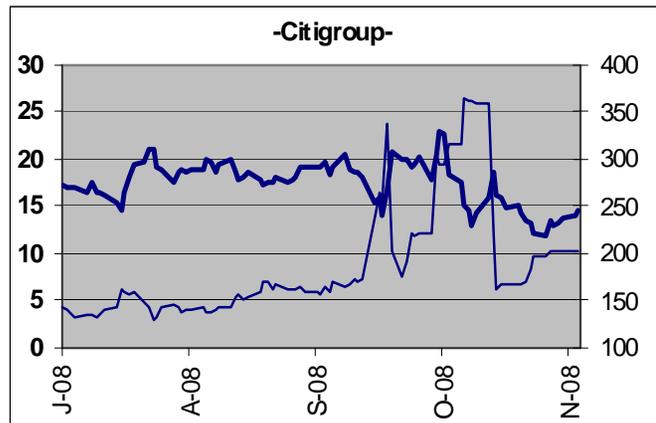
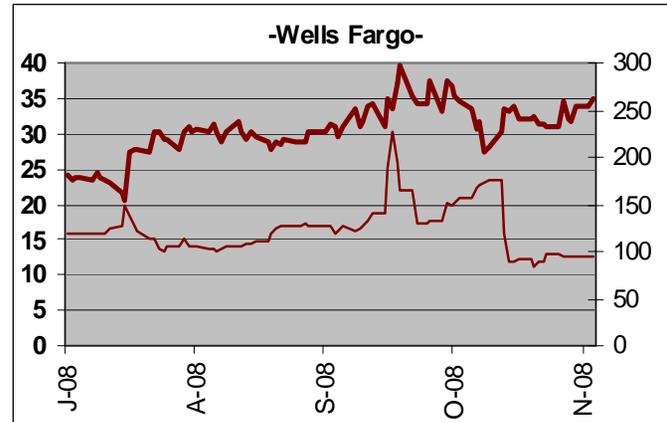
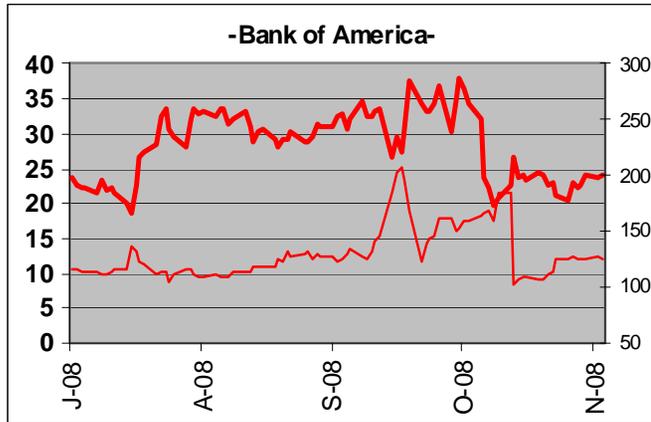


Tier-1 capital levels trended lower with recent uptick turning lower from risk weighted asset balance and lower retained earnings.

Earnings lower from less ability to generate income from mortgage related businesses.

EQUITY PRICE (BOLD LINE) CDS 5-YR SPREAD (NORMAL LINE)

July 2, 2008 to Present



Egan Jones Ratings

Rating Histories for High-profile Senior Unsecured Issuers

Note 1: a 2 notch difference is considered major by most investors.

Note 2: money market funds such as the Reserve Fund would have avoided "breaking the buck" using EJR ratings on Lehman.

Notches from S&P		Bear Stearns					
		Date	EJR	S&P	Moody's	Fitch	Action
		12/20/2007	A-	A	A2	A+	
2		1/4/2008	BBB+	A	A2	A+	EJR cuts to BBB+
3		3/10/2008	BBB	A	A2	A+	EJR cuts to BBB
4		3/13/2008	BBB-	A	A2	A+	EJR cuts to BBB-
		3/14/2008	BBB-	BBB	Baa2	A+	S&P to BBB, Moody's to Baa2
		3/17/2008	BBB-	BBB	Baa2	BBB	Fitch cuts AA- to BBB

Lehman Brothers

		Date	EJR	S&P	Moody's	Fitch	Action
3		3/14/2008	BBB+	A+	A1	AA-	EJR cuts A- to BBB+
4		5/28/2008	BBB	A+	A1	AA-	EJR cuts BBB+ to BBB
3		6/2/2008	BBB	A	A1	AA-	S&P cuts A+ to A
3		6/9/2008	BBB	A	A1	A+	Fitch cuts AA- to A+
3		7/17/08	BBB	A	A2	A+	Moody's cuts A1 to A2
4		9/11/2008	BBB-	A	A2	A+	EJR cuts BBB to BBB-
5		9/14/2008	BB+	A	A2	A+	EJR cuts BBB- to BB+
9		9/14/2008	CCC	A	A2	A+	EJR cuts BB+ to CCC
		9/15/2008	CCC	SD	B3	CCC	S&P, Moody's and Fitch take negative actions

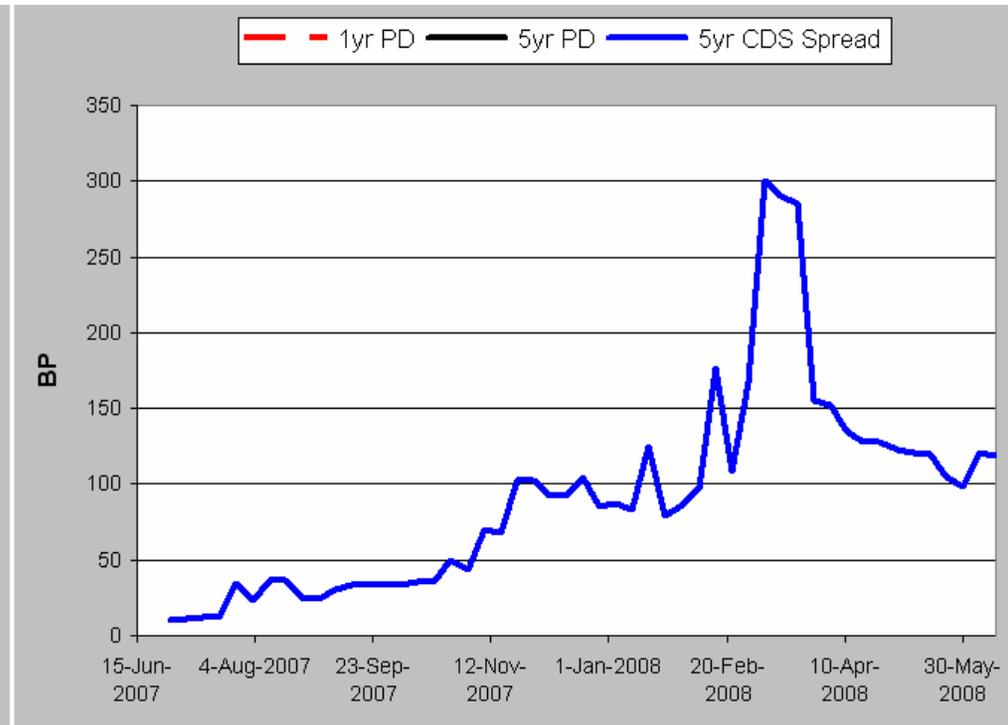
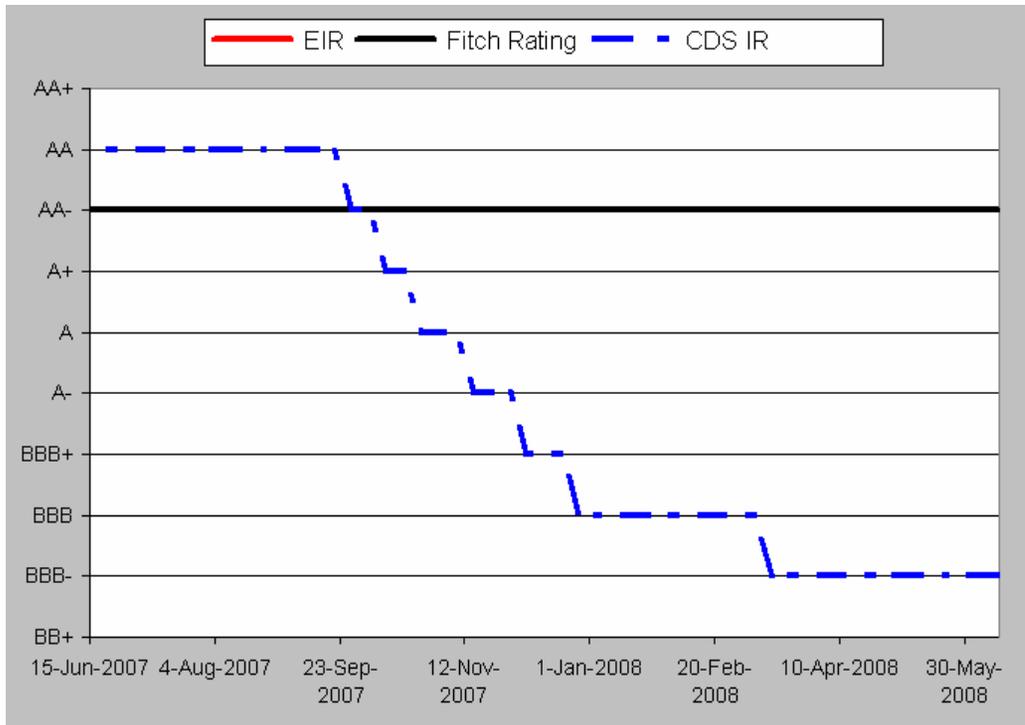
Merrill Lynch

		Date	EJR	S&P	Moody's	Fitch	Action
		7/18/2008	A-	A	A2	A+	EJR cuts A to A-
2		7/29/2008	BBB+	A	A2	A+	EJR cuts A- to BBB+

Fitch Ratings: Market Implied Ratings

Wachovia Bank, National Association; Weekly From 16-Jun-2007 to 15-Jun-2008

- Highlighting deteriorating credit.



From: Derdowski, Robin

Sent: Thursday, April 03, 2008 9:09 AM

To: Johnson, John -TTC; Kerber, Annette; Larsen, Richard; Morales, Isabel; Perez, Lupe - TTC; Sieruga, Wendy

Subject: Restrictions Citigroup, UBS and Wachovia

The following restrictions are recommended effective immediately:

Restrict CP purchases of Citigroup and UBS to "Do Not Buy"

Restrict CD purchases of Citigroup and UBS to 95 days

Citigroup and UBS have both taken large write-downs based on sub-prime and mortgage security related valuation losses. Both have had to build capital in order to replenish for these exposures. While both entities are large global diversified banks, the temporary restrictions limit exposure to banks most recently pressured.

Further, based on the PFM credit strategy meeting this week along with continued market pressure from the U.S. sub-prime and mortgage related losses and credit market pressures, Wachovia Bank is being temporarily placed on "Do Not Buy" for the following reasons:

1. Sizable acquisitions of Westcorp and holding company WFS Financial, a U.S. auto finance company; Golden West Financial acquisition, a U.S. western-based savings and loans bank with mortgage exposure and A.G. Edwards retail brokerage purchase
2. Merger integration during a period when market pressures and financial losses are trending upward
3. Provision levels expected to materially increase during the next several quarters and above historical trends

INTEROFFICE MEMO



County of San Bernardino

DATE September 26, 2008

PHONE 7-6379

FROM Robin Derdowski,
Investment Analyst

TO John Johnson,
Cash Manager/Investment Officer
Annette Kerber,
Assistant Treasurer-Tax Collector
Dick Larsen,
Treasurer-Tax Collector

SUBJECT RECOMMENDATION TO REMOVE ISSUER FROM PRE-APPROVED ISSUER LIST

ISSUER: Wachovia Corporation (Wachovia)

RECOMMENDATION: Remove issuer from pre-approved issuer list

CURRENT RATINGS:

	<u>S&P/Moody's/Fitch</u>
S/T	A-1/P-1/F1+
L/T	A+/A1, Neg O/L/A+, Neg O/L

Remove Wachovia from the pre-approved issuer list for the following reasons:

- Wachovia has been on Do Not Buy since 4/3/08 due to the bank's concentrated exposure to mortgage loans and merger integration costs during a market stressed period.
- Moody's and Fitch have a Neg O/L on the bank with rating agencies downgrading Wachovia's L/T ratings during July 2008.
- Market conditions in the credit and equity markets have led to the bank's struggle to build additional capital.
- Wachovia's future earnings prospects and continued credit quality deterioration warrant removal from the pre-approved issuer list.



Conclusion

Effective credit research integrated with tactical and strategic investment management can yield positive results for your investment pool.

QUESTIONS ???????

Contact Us:

(909)-387-6319